

**701—16.4(422,423) Patterns, dies, jigs, tools, and manufacturing or printing aids.**

**16.4(1) Retail sales.** Prior to July 1, 1997, a person engaged in the business of making and selling patterns, dies, jigs, tools and manufacturing or printing aids to be used by other persons in the manufacture of tangible personal property shall be deemed as selling such patterns, dies, jigs, tools and manufacturing or printing aids at retail. If such items are sold by a vendor in Iowa, the gross receipts from these sales shall be subject to sales tax; and, if such items are purchased from a vendor outside Iowa, the purchaser shall be subject to use tax. See 701—18.58 (422,423) for exemption for this type of equipment on and after July 1, 1997.

Design charges that are not physically incorporated into a finished product are exempt from tax if separately contracted. If no written contract exists, the design charge must be separately itemized on the invoice to be exempt from tax.

When a manufacturer purchases or fabricates from raw materials purchased, dies, patterns, jigs, tools, and manufacturing or printing aids for the account of customers who acquire title to the property upon delivery thereof or upon the completion of the fabrication thereof by the manufacturer, the manufacturer shall be regarded as purchasing the property either as an agent for, or resale to, customers. Tax shall apply to either the manufacturer as an agent of the customer or to the sale by the manufacturer to the customer.

In determining whether the manufacturer purchases the property on behalf of, or for resale to, a customer, the terms of the contract with the customer, the custom of usage of the trade and any other pertinent factors shall be considered. For example, if the customer issues a purchase order for patterns, dies, jigs, tools, and manufacturing or printing aids, or on the purchase order for the goods, itemizes or otherwise specifies the particular patterns, dies, jigs, tools, and manufacturing or printing aids, which will be required by the manufacturer to manufacture the goods desired by the customer and the manufacturer obtains the item pursuant to the customer's specific order, billing, itemizing or otherwise identifying it to the customer separately from the billing for the article manufactured therefrom, and either delivers it to the customer or holds it as bailee for the customer, it will be presumed that the manufacturer acquired the property on behalf of the customer or for immediate resale to the customer.

**16.4(2) Revisions and repairs.** When a person takes existing patterns, dies, jigs, tools and manufacturing or printing aids and revises them by changing or modifying such items in such a way as to create a new pattern, die, jig, tool, and manufacturing or printing aid, such person shall not be considered as making a retail sale since title never passes from the owner of the existing patterns, dies, jigs, tools and manufacturing or printing aids, and such person shall be considered to be performing a service. This service and any repair of any pattern, die, jig, tool and manufacturing or printing aid are not services enumerated in Iowa Code section 422.43. Any additional materials used and transferred to the owner in addition to the existing patterns, dies, jigs, tools and manufacturing or printing aids, in the revision or repair thereof would be taxable. *Chicago, B. & Q. R. Co. v. Iowa State Tax Commission*, 295 Iowa 178, 142 N.W.2d 407 (1966).

However, any service enumerated in Iowa Code section 422.43, which is performed in connection with this revision or repair would be subject to tax; such as when a die owner hires a welding firm to weld a broken die part on a die. The charges for the labor and materials used in connection with this service would be subject to the tax.

This rule is intended to implement Iowa Code sections 422.42(3) and 422.43.